

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Stockbridge	County Ingham
Fiscal Year End 3/31/2006	Opinion Date 9/27/2006	Date Audit Report Submitted to State 11/14/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

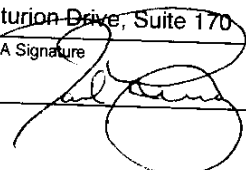
YES
N

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.		Telephone Number (517) 323-9500	
Street Address 6639 Centurion Drive, Suite 170		City Lansing	State MI
Authorizing CPA Signature 		Zip 48917	License Number 1101018885
Printed Name Mark Perry			

Township of Stockbridge

Ingham County, Michigan

**Annual Financial Statements
and
Auditors' Report**

March 31, 2006

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Township of Stockbridge
List of Elected and Appointed Officials
March 31, 2006

Township Board

Taylor Allen – Supervisor

Mary Wilson – Clerk

Diane Wilson – Treasurer

Terry Sommer – Trustee

Paul Risner – Trustee

Independent Auditors' Report

To the Township Board
Township of Stockbridge
Stockbridge, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the major funds of the Township of Stockbridge as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the major funds of the Township of Stockbridge as of March 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Township of Stockbridge's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

September 27, 2006

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Township of Stockbridge Management's Discussion and Analysis

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Township's management's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

Overview of Financial Statements

The annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the required supplementary information, and other supplemental information. Generally Accepted Accounting Principles (GAAP) according to GASB 34 now requires the reporting of two types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

Government-wide Financial Statements:

The Government-wide statements provide a perspective of the Township as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two Government-wide statements: The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the primary government's financial resources (short-term spendable resources) with capital assets, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of the various Township's services.

When analyzed together, the two statements help the reader determine whether the Township is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township can be divided into three categories: governmental funds, proprietary, and fiduciary funds.

Township of Stockbridge Management's Discussion and Analysis

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (fund balance).

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Township maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be the major fund.

The Township adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided herein to demonstrate compliance with the budget.

Proprietary Funds

Proprietary funds are used in the determination of operating income, changes in net assets, financial position, and cash flows. The Township maintains one enterprise fund to account for the services provided by the fire department. The fire fund is reported as business-type activity in the primary government and is also considered a major fund.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Township of Stockbridge Management's Discussion and Analysis

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*, and other supplemental information concerning budgetary information for the Township's major fund.

SUMMARY OF NET ASSETS: Township's Net Assets

The following summarizes the Township's government-wide net assets at fiscal year ended March 31, 2006 and 2005.

	Governmental		Business-type		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$ 492,138	\$ 536,819	\$ 1,775	\$ 25,884	\$ 493,913	\$ 562,703
Capital assets	130,000	130,000	1,161,390	1,051,590	1,291,390	1,181,590
Less accumulated depreciation	(43,800)	(41,400)	(859,234)	(798,291)	(903,034)	(839,691)
Total capital assets, net	86,200	88,600	302,156	253,299	388,356	341,899
Total assets	578,338	625,419	303,931	279,183	882,269	904,602
Liabilities						
Current liabilities	17,650	6,292	1,775	1,837	19,425	8,129
Net assets						
Investment in capital assets, net of related debt	86,200	88,600	302,156	251,199	388,356	339,799
Unrestricted	474,488	530,527	-	26,147	474,488	556,674
Total net assets	\$ 560,688	\$ 619,127	\$ 302,156	\$ 277,346	\$ 862,844	\$ 896,473

Township of Stockbridge Management's Discussion and Analysis

During the fiscal year ended March 31, 2006, the Township's combined net assets decreased by \$ 33,629. As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Township of Stockbridge, assets exceeded liabilities by \$ 862,844.

A portion of the Township's net assets reflects its investment in capital assets (buildings and equipment), less any related debt used to acquire those assets that are still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are not available for future spending.

Township's Government-wide Changes in Net Assets

Revenues:

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Program revenue						
Charges for services	\$ 100,295	\$ 106,231	\$ 89,042	\$ 117,265	\$ 189,337	\$ 223,496
Grants and contributions	-	3,578	36,000	-	36,000	3,578
General revenue:						
Property taxes	93,620	86,932	-	-	93,620	86,932
State shared revenue	148,712	143,846	-	-	148,712	143,846
Interest and investment earnings	8,892	6,350	-	-	8,892	6,350
Miscellaneous	26,567	14,216	-	-	26,567	14,216
Transfers	(71,337)	-	71,337	-	-	-
Total revenues	<u>\$ 306,749</u>	<u>\$ 361,153</u>	<u>\$ 196,379</u>	<u>\$ 117,265</u>	<u>\$ 503,128</u>	<u>\$ 478,418</u>

Township of Stockbridge Management's Discussion and Analysis

Expenses:

	Governmental Activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
General government	215,388	161,833	-	-	215,388	161,833
Public safety	112,393	93,325	-	-	112,393	93,325
Public works	19,524	24,413	-	-	19,524	24,413
Health and welfare	-	15,000	-	-	-	15,000
Community and Economic Development	14,716	8,068	-	-	14,716	8,068
Recreation and culture	3,167	2,525	-	-	3,167	2,525
Other	-	14,774	-	-	-	14,774
Fire fund	-	-	171,569	134,350	171,569	134,350
Total expenses	365,188	319,938	171,569	134,350	536,757	454,288
Change in net assets	(58,439)	41,215	24,810	(17,085)	(33,629)	24,130
Net assets - beginning	619,127	577,912	277,346	294,431	896,473	872,343
Net assets - ending	<u>\$ 560,688</u>	<u>\$ 619,127</u>	<u>\$ 302,156</u>	<u>\$ 277,346</u>	<u>\$ 862,844</u>	<u>\$ 896,473</u>

Governmental activities

The Township's total governmental revenue has decreased by \$ 54,404 from last fiscal year. This was primarily attributed to a decrease in charge for services of \$ 5,936, grant revenue of \$ 3,578 and offset by increases of interest of \$2,542, other net revenues of \$ 12,351, property tax revenues of \$ 6,688, and state shared revenues of \$ 4,866. Expenses increased by \$ 45,250. The increases in general government expenditures of \$ 53,555, public safety of \$ 19,068, recreation and culture of \$ 642, community and economic development of \$ 6,648, were offset by a decrease in public works expenditures of \$ 4,889, health and welfare of \$ 15,000 and other program expenditures of \$ 14,774. Also, a transfer of \$ 71,337 was made to fund the deficit in the fire fund.

Business-type activities:

Fire fund revenue increased by \$ 7,777 and expenses increased by \$ 37,219 from last fiscal year. The net revenue increase is attributed a federal grant of \$ 36,000 and to a \$ 28,223 decrease in allocation of reimbursable expenses to Waterloo, White Oak, and Bunker Hill Townships. The expense increase is a result of additional fire run expense and depreciation expense. A \$ 71,337 transfer from the general fund offset the unrestricted deficit in fund balance.

Township of Stockbridge Management's Discussion and Analysis

In prior years, reimbursed expense was calculated after year end and an accrual was made to reflect the other township's and Stockbridge's share of the expenses. This method of allocation has been made in past years and consistently applied for the proper matching of the current years' revenue and expense. However, no expense allocation has been made for the year ending March 31, 2006 because no further expense allocation can be made to the other Townships since Stockbridge Area Services Authority (SAESA) becomes effective April 1, 2006. As a result of this transition, there is no potential receivable for the Stockbridge fire fund as in the prior years (Page 6-1).

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported ending fund balance of \$ 474,488, a decrease of \$ 56,039. \$ 290,560 of the \$ 478,706 fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the Township's discretion.

The general fund is the main operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 335,638. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 92% of total general fund expenditures.

The fund balance of the General Fund decreased by \$ 56,039 during the current fiscal year and is primarily attributable a transfer to the fire fund to eliminate the operating deficit. In addition, \$ 72,291 of prior period adjustments (see note 12) were made to the beginning fund balance to account for a \$ 34,100 loan to purchase a fire truck for the fire fund, \$ 15,224 to restate the property and liability insurance premiums paid in advance, and \$ 22,967 to reflect state revenue sharing earned in a prior period.

Financial Analysis of the Business-type funds

As of the end of the current fiscal year, the Township's fire fund reported ending fund balances of \$ 302,156 an increase of \$ 24,810 for the fiscal year.

The \$ 39,832 operating loss during the current fiscal year is primarily attributed to the decrease in the allocation of the residual expenses of the fire department to the Waterloo, White Oak, and Bunker Hill Townships. The increase in the fund was attributed to a \$ 71,337 transfer from the general fund. As of April 1, 2006, the fire authority assumed the responsibility of fire protection services but Stockbridge Township will have additional expenses that will be absorbed by the Township in next fiscal year. In addition, \$ 23,714 of prior period adjustments (see note 11) were made to the beginning fund balance to account for a \$ 34,100 loan from the general fund to purchase a fire truck

Township of Stockbridge Management's Discussion and Analysis

decreasing the fund balance and \$ 8,286 to restate the property and liability insurance premiums paid in advance to increase the fund balance.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was not amended during the year.

Capital Assets:

Capital Assets

The Townships investment in capital assets as of March 31, 2006 and 2005 amounted to \$ 388,356 and \$ 339,799 (net of accumulated depreciation), respectively. Investment in capital assets included buildings, fire vehicles and equipment. The 14 percent increase is attributed to the purchase of a fire truck for use by the fire fund and equipment from a federal grant.

	Governmental activities		Business-type activities		Total	
	March 31, 2006	March 31, 2005	March 31, 2006	March 31, 2005	March 31, 2006	March 31, 2005
Capital assets being depreciated						
Buildings and improvements	\$ 130,000	\$ 130,000	\$ 57,954	\$ 57,954	\$ 187,954	\$ 187,954
Vehicles and equipment	-	-	1,099,436	995,536	1,099,436	995,536
Capital assets	<u>130,000</u>	<u>130,000</u>	<u>1,157,390</u>	<u>1,053,490</u>	<u>1,287,390</u>	<u>1,183,490</u>
Less:						
Accumulated depreciation	<u>(43,800)</u>	<u>(41,400)</u>	<u>(855,234)</u>	<u>(802,291)</u>	<u>(899,034)</u>	<u>(843,691)</u>
Capital assets, net	<u>\$ 86,200</u>	<u>\$ 88,600</u>	<u>\$ 302,156</u>	<u>\$ 251,199</u>	<u>\$ 388,356</u>	<u>\$ 339,799</u>

Township of Stockbridge Management's Discussion and Analysis

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Township's budget for the 2005-2006 fiscal year:

- The State of Michigan is facing economic uncertainty with the loss of jobs in the economy and its future impact on the operating budget. For 2005-2006 the Township received \$ 148,712 in state shared revenue, representing 41% of the revenue in the General Fund. The amounts of the state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Request for Information

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or would like additional information, contact the Township Clerk's office at (517)851-7530.

Township of Stockbridge
Statement of Net Assets
March 31, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 240,961	\$ 4,630	\$ 245,591
Certificates of deposit	170,344	-	170,344
Receivables			
Taxes	11,939	-	11,939
Customers	243	-	243
Accrued interest	5,211	-	5,211
Due from other units of government	24,784	13,394	38,178
Prepaid items	15,633	6,521	22,154
Internal balances	22,770	(22,770)	-
Restricted assets			
Cash and cash equivalents	253	-	253
Capital assets being depreciated, net	<u>86,200</u>	<u>302,156</u>	<u>388,356</u>
 Total assets	 <u>578,338</u>	 <u>303,931</u>	 <u>882,269</u>
 Liabilities			
Accounts payable	6,530	1,775	8,305
Accrued expenses and other liabilities	<u>11,120</u>	<u>-</u>	<u>11,120</u>
 Total liabilities	 <u>17,650</u>	 <u>1,775</u>	 <u>19,425</u>
 Net Assets			
Invested in capital assets	86,200	302,156	388,356
Unrestricted	<u>474,488</u>	<u>-</u>	<u>474,488</u>
 Total net assets	 <u>\$ 560,688</u>	 <u>\$ 302,156</u>	 <u>\$ 862,844</u>

See Accompanying Notes to Financial Statements

Township of Stockbridge
Statement of Activities
For the Year Ended March 31, 2006

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities							
General government	\$ 215,388	\$ 49,691	\$ -	\$ -	\$ (165,697)	\$ -	\$ (165,697)
Public safety	112,393	48,352	-	-	(64,041)	-	(64,041)
Public works	19,524	-	-	-	(19,524)	-	(19,524)
Community and economic development	14,716	2,252	-	-	(12,464)	-	(12,464)
Recreation and culture	3,167	-	-	-	(3,167)	-	(3,167)
Total governmental activities	365,188	100,295	-	-	(264,893)	-	(264,893)
Business-type activities							
Fire	171,569	89,042	-	36,000	-	(46,527)	(46,527)
Total primary government	\$ 536,757	\$ 189,337	\$ -	\$ 36,000	(264,893)	(46,527)	(311,420)
General revenues							
Property taxes					93,620	-	93,620
State shared revenue					148,712	-	148,712
Unrestricted investment earnings					8,892	-	8,892
Miscellaneous					26,567	-	26,567
Transfers					(71,337)	71,337	-
Total general revenues and transfers					206,454	71,337	277,791
Change in net assets					(58,439)	24,810	(33,629)
Net assets - beginning of year (as previously reported)					546,836	301,060	847,896
Prior period adjustment					72,291	(23,714)	48,577
Net assets - beginning of year (restated)					619,127	277,346	896,473
Net assets - end of year					\$ 560,688	\$ 302,156	\$ 862,844

See Accompanying Notes to Financial Statements

Township of Stockbridge
Governmental Fund
Balance Sheet
March 31, 2006

	General Fund
Assets	
Cash	\$ 240,961
Certificates of deposit	170,344
Receivables	
Taxes	11,939
Customers	243
Accrued interest	5,211
Due from other units of government	24,784
Prepaid items	15,633
Advances to other funds	133,900
Restricted assets	
Cash	<u>253</u>
 Total assets	 <u><u>\$ 603,268</u></u>
Liabilities	
Accounts payable	\$ 6,530
Accrued and other liabilities	11,120
Due to other funds	<u>111,130</u>
 Total liabilities	 <u>128,780</u>

See Accompanying Notes to Financial Statements

Township of Stockbridge
Governmental Fund
Balance Sheet
March 31, 2006

	<u>General Fund</u>
Fund Balances	
Reserved for:	
Advances	\$ 133,900
Performance deposits	4,950
Unreserved	
Designated for:	
Repair water damages to Township Hall	9,191
Repairs to Township Hall	35,887
Unreserved	
Undesignated	<u>290,560</u>
 Total fund balances	 <u>474,488</u>
 Total liabilities and fund balances	 <u>\$ 603,268</u>

See Accompanying Notes to Financial Statements

Township of Stockbridge
Governmental Fund
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2006

Total fund balances for governmental funds	\$ 474,488
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Total net assets for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>86,200</u>
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Net assets of governmental activities	<u><u>\$ 560,688</u></u>
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Township of Stockbridge
Governmental Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended March 31, 2006

	<u>General Fund</u>
Revenues	
Taxes	\$ 93,620
Licenses and permits	50,512
State revenue sharing	148,712
Charges for services	50,537
Interest income	8,892
Rental income	2,308
Other revenue	<u>9,105</u>
 Total revenues	 <u>363,686</u>
 Expenditures	
Current	
General government	212,988
Public safety	112,393
Public works	19,524
Community and economic development	14,716
Recreation and culture	<u>3,167</u>
 Total expenditures	 <u>362,788</u>
 Excess of revenues over expenditures	 <u>898</u>
 Other financing sources and (uses)	
Transfers out	(71,337)
Insurance recoveries	<u>14,400</u>
 Total other financing sources and (uses)	 <u>(56,937)</u>
 Net change in fund balance	 <u>(56,039)</u>

See Accompanying Notes to Financial Statements

Township of Stockbridge
Governmental Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended March 31, 2006

	<u>General Fund</u>
Fund balance - beginning of year (as previously reported)	\$ 458,236
Prior period adjustments	<u>72,291</u>
Fund balance - beginning of year (restated)	<u>530,527</u>
Fund balance - end of year	<u><u>\$ 474,488</u></u>

See Accompanying Notes to Financial Statements

Township of Stockbridge
Governmental Fund
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2006

Net change in fund balances - total governmental funds \$ (56,039)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (2,400)

Change in net assets of governmental activities \$ (58,439)

Township of Stockbridge
Proprietary Fund
Statement of Net Assets
March 31, 2006

	<u>Fire Fund</u>
Assets	
Current assets	
Cash	\$ 4,630
Due from other units of government	13,394
Due from other funds	111,130
Prepaid expenses	<u>6,521</u>
Total current assets	135,675
Noncurrent assets	
Capital assets, net	<u>302,156</u>
Total assets	<u>437,831</u>
Liabilities	
Current liabilities	
Accounts payable	1,775
Noncurrent liabilities	
Advances from other funds	<u>133,900</u>
Total liabilities	<u>135,675</u>
Net Assets	
Invested in capital assets	<u>302,156</u>
Total net assets	<u>\$ 302,156</u>

See Accompanying Notes to Financial Statements

Township of Stockbridge
Proprietary Fund
Statement of Revenue, Expenses and Changes in Fund Net Assets
For the Year Ended March 31, 2006

	<u>Fire Fund</u>
Operating revenue	
Fire runs	\$ 53,474
Equipment stand-by fees	35,568
Federal grant	<u>36,000</u>
 Total operating revenue	 <u>125,042</u>
 Operating expenses	
Personal services	49,974
Supplies	15,109
Contractual services	1,966
Utilities	5,723
Repairs and maintenance	10,017
Other expenses	25,142
Depreciation	<u>56,943</u>
 Total operating expenses	 <u>164,874</u>
 Operating income (loss)	 <u>(39,832)</u>
 Nonoperating (expenses)	
Interest expense	<u>(6,695)</u>
 Income (loss) before transfers	 <u>(46,527)</u>
 Transfers in	 <u>71,337</u>
 Change in net assets	 <u>24,810</u>

See Accompanying Notes to Financial Statements

Township of Stockbridge
Proprietary Fund
Statement of Revenue, Expenses and Changes in Fund Net Assets
For the Year Ended March 31, 2006

	<u>Fire Fund</u>
Net assets - beginning of year (as previously reported)	\$ 301,060
Prior period adjustment	<u>(23,714)</u>
Net assets - beginning of year (restated)	<u>277,346</u>
Net assets - end of year	<u>\$ 302,156</u>

See Accompanying Notes to Financial Statements

Township of Stockbridge
Proprietary Fund
Statement of Cash Flows
For the Year Ended March 31, 2006

	<u>Fire Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 48,093
Receipts from interfund users	35,568
Payments to suppliers	(56,254)
Payments to employees	<u>(49,974)</u>
Net cash used by operating activities	<u>(22,567)</u>
Cash flows from noncapital financing activities	
Transfer from other funds	71,337
Advances from other funds	103,900
Repayments to other funds	<u>(60,000)</u>
Net cash provided by noncapital financing activities	<u>115,237</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(109,900)
Principal and interest paid on long-term debt	<u>(6,695)</u>
Net cash (used) by capital and related financing activities	<u>(116,595)</u>
Net (decrease) in cash and cash equivalents	(23,925)
Cash and cash equivalents - beginning of year	<u>28,555</u>
Cash and cash equivalents - end of year	<u><u>\$ 4,630</u></u>

See Accompanying Notes to Financial Statements

Township of Stockbridge
Proprietary Fund
Statement of Cash Flows
For the Year Ended March 31, 2006

	<u>Fire Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (39,832)
Adjustments to reconcile operating income (loss) to net cash from operating activities	
Depreciation	56,943
Changes in assets and liabilities	
Receivables	2,446
Due from other units of government	26,966
Prepaid items	1,765
Accounts payable	<u>(62)</u>
Net cash used by operating activities	<u>\$ (22,567)</u>

See Accompanying Notes to Financial Statements

Township of Stockbridge
Fiduciary Funds
Statement of Assets and Liabilities
March 31, 2006

	Agency Funds
Assets	
Cash and cash equivalents	\$ 7,644
Receivables	
Taxes	<u>3,322</u>
 Total assets	 <u><u>\$ 10,966</u></u>
Liabilities	
Accrued interest payable	\$ 5,211
Due to other governments	<u>5,755</u>
 Total liabilities	 <u><u>\$ 10,966</u></u>

See Accompanying Notes to Financial Statements

Township of Stockbridge
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Township of Stockbridge is governed by an elected five-member Board. The accompanying financial statements present the government.

The Township has implemented *GASB Statement No. 14, The Financial Reporting Entity and Statement of Michigan Governmental Accounting and Auditing No. 5*, which defines the reporting of primary government and component unit activities. The basis criterion of including a public authority in a governmental unit's financial report is the exercise of financial responsibility over such agency by the governmental unit's elected officials, the selection of the governing authority, the designation of management, the ability to exert significant influence on operations.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are

restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental fund, and proprietary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Township of Stockbridge
Notes to Financial Statements
March 31, 2006

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The Fire Fund accounts for the activities of the fire department.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's fire function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the fire fund are charges to customers for sales and services. Operating expenses for the fire fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Certificate of deposits are stated at cost which approximates fair value.

Township of Stockbridge
Notes to Financial Statements
March 31, 2006

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st and December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on October 1st and March 1st of the following year, at which time penalties and interest are assessed.

The 2005 taxable valuation of the government totaled \$ 121,280,050, on which ad valorem taxes consisted of .7810 mills for operating purposes. This resulted in \$ 94,720 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 10,000 for fire station and related equipment and \$ 5,000 for all other items and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which

are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and additions	40 - 50 years
Vehicles and equipment	10 years

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Township of Stockbridge
Notes to Financial Statements
March 31, 2006

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the budget is legally adopted on a departmental (activity) level for the General Fund through passage of a Board Resolution. After the budget is adopted all transfers of budgeted amounts between activities, or any revisions that alter the total expenditures of the fund or activity, must be approved by the Township Board.
2. Formal budgetary integration is employed as a management control device during the year.
3. The Township does not employ encumbrances accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
4. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were not material to original appropriations that were adopted.

Excess of expenditures over appropriations

Expenditures in violation of the Public Act 621 are disclosed as being over budget on the required supplemental information – budgetary comparison schedule of the general fund on pages 5-1 to 5-3.

<u>Function</u>	<u>Final Budget</u>	<u>Amount of Expenditure</u>	<u>Budget Variances</u>
General Fund			
Township board	\$ 59,490	\$ 68,751	\$ 9,261
Clerk	21,410	21,867	457
Board of review	870	1,134	264
Assessor	23,000	25,036	2,036
Building and grounds	32,375	45,289	12,914
Fire department	44,079	54,352	10,273
Library	2,020	3,167	1,147

CASH AND DEPOSITS

The breakdown between deposits and short-term investments is as follows:

	<u>Primary Government</u>
Bank deposits (checking and savings accounts)	\$ 270,961
Certificate of Deposit	<u>170,344</u>
	<u>\$ 441,305</u>

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Township of Stockbridge
Notes to Financial Statements
March 31, 2006

The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$ 1,175,006 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets being depreciated				
Buildings, additions and improvements	\$ 130,000	\$ -	\$ -	\$ 130,000
Less accumulated depreciation for				
Buildings, additions and improvements	41,400	2,400	-	43,800
Governmental activities capital assets, net	\$ 88,600	\$ (2,400)	\$ -	\$ 86,200

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets being depreciated				
Buildings, additions and improvements	\$ 57,954	\$ -	\$ -	\$ 57,954
Vehicles and equipment	995,536	107,900	-	1,103,436
Total capital assets being depreciated	1,053,490	107,900	-	1,161,390
Less accumulated depreciation for				
Buildings, additions and improvements	33,388	1,319	-	34,707
Vehicles	768,903	55,624	-	824,527
Total accumulated depreciation	802,291	56,943	-	859,234
Net capital assets being depreciated	251,199	50,957	-	302,156
Business-type capital assets, net	\$ 251,199	\$ 50,957	\$ -	\$ 302,156

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 2,400
Business-type activities	
Fire	56,943
Total primary government	\$ 59,343

Township of Stockbridge
Notes to Financial Statements
March 31, 2006

NOTE 5 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Fire Fund	General	<u>\$ 111,130</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The composition of the transfer is as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General	Fire fund	<u>\$ 71,337</u>

A transfer from the general fund to the fire fund eliminated the deficit in the fire fund that was due to a shortfall in charges for services.

NOTE 6 – ADVANCES TO OTHER FUNDS

Advances at year end are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Fire fund	<u>\$ 133,900</u>

NOTE 7 – FUND BALANCE RESERVE

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following fund balance reserve has been established as of March 31, 2006:

Fund Balance

General Fund	
Reserved for advances to other funds	\$ 133,900
Performance deposits for driveway construction	<u>4,950</u>
Total reserved fund balance	<u>\$ 138,850</u>

NOTE 8 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Township of Stockbridge
Notes to Financial Statements
March 31, 2006

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined benefit pension plan

Plan description – The Township of Stockbridge is the sponsor of a retirement plan for the sole benefit of its employees. To be eligible to participate, employees must be either elected officials or custodians of the Township. The Township of Stockbridge Pension Plan is a money purchase defined pension benefit plan (401a). Employees may elect to contribute additional amounts ranging from 1 to 10% of their compensation.

Funding policy – Contributions by the Township of Stockbridge is based on 8.8% of the base compensation for eligible employees.

Annual pension costs – For year ended March 31, 2006, the Township's annual pension cost of \$6,672 for the plan was equal to the required and actual contribution. The annual required contribution was determined by the plan anniversary formula.

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The Township entered into an agreement with the Stockbridge Area Emergency Services authority on April 19, 2006. This agreement states that Stockbridge Township may be liable for up to \$20,409 of un-reimbursed insurance claims for the emergency services provided to Stockbridge area from March 1, 2006 to December 31, 2006.

The Township entered into a fire protection agreement with the Stockbridge Area Emergency Services Authority on April 1, 2006 that it agrees to pay in the month of April \$ 9,512 to the authority for a stand-by fee.

NOTE 11 – BUILDING DEPARTMENT FINANCIAL INFORMATION

The Township elected to report the financial activities of the building department in the General Fund. The following information as it relates to this department for the activity for the period April 1, 2005 to March 31, 2006:

Revenues	\$ 48,410
Building permits	
Expenditures	
Personal services and fringes	45,330
Contractual services	2,000
Other	<u>10,711</u>
Total expenditures	<u>58,041</u>
Deficiency of revenues over expenditures	<u><u>\$ (9,631)</u></u>

Township of Stockbridge
Notes to Financial Statements
March 31, 2006

NOTE 12 -PRIOR PERIOD ADJUSTMENT S

Prior period adjustments were made during the year to report the correction of errors and resulted in a change to beginning net assets for the governmental and business type activities. The effects of these corrections to the prior and current years are shown as follows:

	<u>2005</u>	<u>2006</u>	<u>Purpose</u>
Government activities			
Advance for equipment	\$ 34,100	\$ -	
Prepaid insurance	15,224		
State shared revenue	22,967		
Net assets - beginning		34,100	Loan to fire fund
Net assets - beginning		15,224	Prepaid insurance
Net assets - beginning	<u>-</u>	<u>22,967</u>	State shared revenue
	<u>72,291</u>	<u>72,291</u>	
Business type activities			
Loan from general fund	(32,000)		
Prepaid insurance	8,286		
Net assets - beginning	-	(32,000)	Loan from general fund
Net assets -beginning	<u>-</u>	<u>8,286</u>	Prepaid insurance
	<u>(23,714)</u>	<u>(23,714)</u>	
Increase in net assets	<u>\$ 48,577</u>	<u>\$ 48,577</u>	

Township of Stockbridge
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
Revenues				
Taxes				
Property taxes	\$ 86,500	\$ 86,500	\$ 89,389	\$ 2,889
Penalties and interest	4,000	4,000	4,231	231
Licenses and permits	55,560	55,560	50,512	(5,048)
State revenue sharing	145,000	145,000	148,712	3,712
Charges for services	57,150	57,150	50,537	(6,613)
Interest income	6,000	6,000	8,892	2,892
Rental income	4,000	4,000	2,308	(1,692)
Other revenue	5,900	5,900	9,105	3,205
Insurance recoveries	-	-	14,400	14,400
Total revenues	<u>364,110</u>	<u>364,110</u>	<u>378,086</u>	<u>13,976</u>
Expenditures				
General government				
Township board	59,490	59,490	68,751	9,261
Supervisor	22,200	22,200	22,000	(200)
Election	6,570	6,570	6,258	(312)
Clerk	21,410	21,410	21,867	457
Board of review	870	870	1,134	264
Treasurer	22,840	22,840	22,073	(767)
Assessor	23,000	23,000	25,036	2,036
Buildings and grounds	32,375	32,375	45,289	12,914
Cemetery	1,350	1,350	580	(770)
Total general government	<u>190,105</u>	<u>190,105</u>	<u>212,988</u>	<u>22,883</u>

See Accompanying Notes to Financial Statements

Township of Stockbridge
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
Public safety				
Fire department	44,079	44,079	54,352	10,273
Building inspection department	63,800	63,800	58,041	(5,759)
Total public safety	107,879	107,879	112,393	4,514
Public works				
Drains	8,500	8,500	-	(8,500)
Highways, streets and bridges	22,500	22,500	19,524	(2,976)
Total public works	31,000	31,000	19,524	(11,476)
Health and welfare				
Ambulance	15,000	15,000	-	(15,000)
Community and economic development				
Planning	17,035	17,035	14,493	(2,542)
Zoning	935	935	223	(712)
Total community and economic development	17,970	17,970	14,716	(3,254)
Recreation and culture				
Library	2,020	2,020	3,167	1,147

See Accompanying Notes to Financial Statements

Township of Stockbridge
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
Other financing uses				
Transfers out	-	-	71,337	71,337
Total expenditures and financing uses	363,974	363,974	434,125	70,151
Excess (deficiency) of revenues over expenditures	136	136	(56,039)	56,175
Fund balance - beginning of year (as previously recorded)	458,236	458,236	458,236	-
Prior period adjustment	72,291	72,291	72,291	-
Fund balance - beginning of year (restated)	530,527	530,527	530,527	-
Fund balance - end of year	<u>\$ 530,663</u>	<u>\$ 530,663</u>	<u>\$ 474,488</u>	<u>\$ 56,175</u>

Township of Stockbridge
Other Supplemental Information
March 31, 2006

Schedule of Fire Run Expenses

Fire Fund

Operating expenses	
Personal services	\$ 49,974
Supplies	15,109
Contractual service	1,966
Utilities	5,723
Repairs and maintenance	10,017
Other expense	25,142
Depreciation	<u>56,943</u>
Total operating expenses	164,874
Less: Depreciation	(56,943)
Add: Interest Expense	<u>6,695</u>
Total shared operating expenses	<u><u>\$ 114,626</u></u>

	<u>Number of Hours for Fire runs</u>	<u>Share of Operating Expenses</u>
Stockbridge Township	87.5	\$ 65,554
Waterloo Township	43.5	32,590
White Oak Township	17.5	13,111
Bunker Hill Township	<u>4.5</u>	<u>3,371</u>
	<u><u>153.0</u></u>	<u><u>\$ 114,626</u></u>

Potential share of operating expenses not allocated this year due to SAESA effective April 1, 2006



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Township Board
Township of Stockbridge

In planning and performing our audit of the financial statements of Township of Stockbridge for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township of Stockbridge's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

Audit journal entries

We noted that several year's of audit journal entries have not been posted or partially posted to the Township's accounting records. These un-posted entries could result in a serious misstatement of the Township's assets, liabilities, and fund balances. Not posting these journal entries, results in inaccurate financial reports.

It is management's responsibility to record and reconcile all accounts. New and revised accounting and auditing standards requires that management properly record and reconcile all of government's activity and continue to limit an auditor's role in the preparation of financial records.

We recommend that all journals, past and present, be posted to the Township's records so meaningful account reconciliations can be performed and accurate reports prepared.

Fund balance and account reconciliations

There was difficulty in tying out the prior auditor's reported fund balance with the Township's fund balance accounts. Because of the number of un-posted journal entries, the posting of 2003, 2004, and 2005 journal entries were necessary to arrive at the prior auditor's account balances that are auditable for the current year. Twenty-two journal entries of complete or partial nature were required to correct the substantiated balances.

Account balance reconciliations timely performed are a major tool in the detection and prevention of fraud and account misstatement in the financial accounting system.

We recommend that account balance reconciliations be prepared and supported by accurate detail. This would include properly documented journal entries to support an adjustment to the account.

Timeliness of deposits

We found time lags between the receipt of funds and when they were deposited in the bank. In one instance we found an \$ 838 with a receipt date of 11/2/2005 not deposited until 12/12/05.

We noted that the prior auditors also reported untimely bank deposits.

We recommend the Township review and revise the accounting procedures related to cash receipting and timeliness of depositing receipts.

We also noted the following reportable conditions that are not believed to be material weaknesses:

Fire run revenues

With the fire authority assuming responsibility for the fire services, the Township will be left with a large cash shortfall as a result of no allocation of the fire department expenses to participating townships.

The present method of accounting appears to be that currently collected fire run revenues apply to prior year's fire department operations. Therefore, since the billing for 2006 expenses will occur at year end; the Township is left to fund the 2006 expenses.

Construction cash account

The Township is not recording the receipt and expenditure of funds that flow through the construction account. The insurance claim funds and related expenditures need to be properly recorded and cash reconciled each month like any other cash account and included in the financial records of the Township.

We recommend that all Township accounts be recorded and reconciled in the Township records and be subject to the same accounting controls as any other expenditure.

Performance deposit account

The performance deposit account is being treated as a fiduciary fund except the cash balance of \$ 4,950 was not properly transferred to the fiduciary fund at year end. Instead the cash was held in the general fund.

We recommend that the performance account be reconciled periodically or before year end to make sure the necessary cash transfers are made.

Property tax disbursements

During our analysis of property tax revenue, we noted that the Township had not disbursed certain property tax collections that were collected on behalf of other taxing units in a timely manner. State law requires the distribution of collected revenues within ten business days after the first and fifteenth day of each month of collection and account for and deliver the tax collections on hand on the first and fifteenth day of each month.

We noted that this condition was reported in previous years by the prior auditors.

We recommend that the Township review their property tax disbursement procedures and remit future collections in a timely manner, as required by the State of Michigan.

We also noted the following matters that are opportunities for strengthening internal controls and operating efficiency:

Current tax collection account

We noted the following:

- The cash remaining in the tax collection account has been carried forward for the past several years.
- A taxpayer's stop payment check is being carried in the tax collection account.

We recommend that the tax collection account balances be reconciled and disbursed to the correct agency or individuals and the stop payment check be cured as soon as possible.

Grants

Federal Emergency Management Agency (FEMA) grant revenue and expense were netted on the financial statement for a zero effect. However, the revenue must be segregated from the expense and charged to the proper government activity. Grants received for equipment purchases must be capitalized and depreciated.

We recommend that expected grants be included in the appropriate fund for the intended purpose and segregate the revenue and expense accounts for accounting purposes.

Employee Dishonesty Bond

The cost of maintaining internal controls sufficient to prevent all losses from employee dishonesty would be prohibitive. With the amount of money involved at the Township and the limited segregation of duties, we recommend that the Township consider increasing its current coverage from \$ 5,000 - \$ 25,000 depending upon the access to Township's funds.

This report is intended solely for the information and use of Township Board, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Lansing, Michigan
September 27, 2006